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Attorneys for Debtors and Debtors-in-Possession

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re:
 USA COMMERCIAL MORTGAGE COMPANY,
 Debtor.

In re:
 USA CAPITAL REALTY ADVISORS, LLC,
 Debtor.

In re:
 USA CAPITAL DIVERSIFIED TRUST DEED
 FUND, LLC,
 Debtor.

In re:
 USA CAPITAL FIRST TRUST DEED FUND, LLC,
 Debtor.

In re:
 USA SECURITIES, LLC,
 Debtor.

Affects:

- ☐ All Debtors
- ☐ USA Commercial Mortgage Company
- ☒ USA Securities, LLC
- ☐ USA Capital Realty Advisors, LLC
- ☐ USA Capital Diversified Trust Deed Fund, LLC
- ☐ USA Capital First Trust Deed Fund, LLC

Case No. BK-S-06-10725 LBR
 Case No. BK-S-06-10726 LBR
 Case No. BK-S-06-10727 LBR
 Case No. BK-S-06-10728 LBR
 Case No. BK-S-06-10729 LBR

Chapter 11

Jointly Administered Under
 Case No. BK-S-06-10725 LBR

**USA SECURITIES, LLC'S FIRST
 REPORT OF ACTION TAKEN AND
 PROGRESS TOWARDS
 CONSUMMATION OF CONFIRMED
 PLAN OF REORGANIZATION**

(Affects USA Securities, LLC)

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USA Securities, LLC ("USA Securities"), by and through its counsel, hereby submits this First Report of Action Taken and Progress Towards Consummation of Confirmed Plan of Reorganization ("First Report"). This First Report is submitted pursuant to Article VIII, Section T of the Debtors' Third Amended Joint Chapter 11 Plan of Reorganization (the "Plan"), Paragraph 74 of the Court's "Order Confirming the Debtors' Third Amended Joint Chapter 11 Plan of Reorganization," as Modified Herein" (Docket No. 2376) (the "Confirmation Order"), and the Court's Order dated April 30, 2007 (Docket No. 3627). The Plan became effective on March 12, 2007 (the "Effective Date"), and this First Report covers the period of March 13, 2007, through June 30, 2007.

I. Summary of Resolution of Proofs of Claim Filed Against USA Securities

As of the date of this First Report, USA Securities has resolved nearly all of the proofs of claims filed against it.

1. As of the Effective Date, 45 proofs of claim were filed against USA Securities.

2. Resolved Proofs of Claim. USA Securities has taken the following actions to resolve the proofs of claim filed against it:

a. On October 26, 2006, the Court entered an Order disallowing claim number 10729-00014 (Docket No. 1674).

b. On March 8, 2007, USA Securities filed its Omnibus Objection objecting to most of the proofs of claim filed against USA Securities (Docket No. 3021). The Court sustained the Omnibus Objection in part by an order dated May 15, 2007 (Docket No. 3732), and by a supplemental order dated May 30, 2007 (Docket No. 3844).

c. On May 25, 2007, the Court approved by order a stipulation between USA Securities and Mike Mollo to the resolution of claim number 10729-00022 (Docket No. 3768).

d. On June 8, 2007, USA Securities and various claimants known throughout this proceeding as the Kantor Claimants entered into a stipulation whereby the Kantor Claimants agreed to withdraw their claims against USA Securities (Docket

No. 3922). The Court approved this stipulation by an order dated the same day (Docket No. 3929).

e. USA Securities did not file an objection to claim number 10729-00042, filed by the Nevada Department of Taxation in the amount of \$1,831.29 (\$1,692.96 of which is asserted as a priority claim) meaning that this is an allowed claim against USA Securities.

f. With the exception of the three claims discussed below, all other proofs of claim filed against USA Securities have been resolved.

3. PBGC's Claims. The only claims remaining against USA Securities that have not yet been resolved are amended claims number 10729-00024, 10729-00025, and 10729-00026 all filed by the Pension Benefit Guaranty Corporation ("PBGC"). USA Securities filed objections to the PBGC's claims on June 29, 2007, whereby USA Securities denied all liability on account of these claims. The Court is scheduled to hear the objections on July 27, 2007, at 9:30 a.m. Negotiations between USA Securities and the PBGC are ongoing.

II. Summary of Resolution of Scheduled Claims

As of the date of this First Report, USA Securities has resolved all of the claims scheduled in this case.

1. On June 15, 2006, USA Securities filed its Schedules listing two priority claims and five unsecured, non-priority claims (Docket No. 675).

2. The two priority claims were in favor of the Nevada Department of Taxation, which thereafter filed a proof of claim superseding its scheduled claims. As discussed above, no objection was filed to this proof of claim and it is now an allowed claim against USA Securities.

3. The remaining five unsecured, non-priority claims were all listed on the Schedules as contingent and unliquidated. As such, they are not deemed to be allowed claims. None of these five claimants filed a proof of claim meaning that USA Securities has no liability on account of these five scheduled claims.

4. Therefore, USA Securities is not required to make distributions on account of any of the claims originally listed on its Schedules.

1 **III. Resolution of Motions, Contested Matters, and Adversary Proceedings**

2 As of the date of this First Report, essentially all of the motions, contested matters, and/or
3 adversary proceedings involving USA Securities have been resolved.

4 1. Matters before this Court. At this time, the only matters pending before this Court
5 involving USA Securities, other than its objections to the PBGC's claims, as discussed above, are
6 (A) the USA Securities Professionals' final fee applications, and (B) a "conditional" adversary
7 proceeding which was filed by Compass against, in relevant part, all of the Debtors on July 7,
8 2007, designated as Adversary Proceeding No. 07-01105 ("Compass Proceeding").

9 a. Final Fee Applications. A hearing on the USA Securities Professionals'
10 Final Fee Applications is scheduled for August 7, 2007, and it is anticipated that matters
11 related to those Applications will be concluded at that time, and that USA Securities will be
12 authorized to make distributions to the USA Securities Professionals from the Ordered
13 Expense Reserve.

14 b. Compass Proceeding. As of the date of this First Report, USA Securities
15 has not been served with the Complaint in the Compass Proceeding. USA Securities intends
16 to file a motion to dismiss the Compass Proceeding, if and to the extent that such a motion is
17 necessary to timely close this case. USA Securities will schedule any such motion to
18 dismiss to be heard in conjunction with its motion to close the case, currently anticipated to
19 be filed in time to be heard on the August 23, 2007 calendar.

20 2. Matters before the District Court. In addition to the limited matters before this
21 Court, USA Securities has been a party to three appeals of the Confirmation Order before the
22 United States District Court for the District of Nevada ("District Court"). These appeals, however,
23 have either been dismissed, or USA Securities has been dismissed as a party.

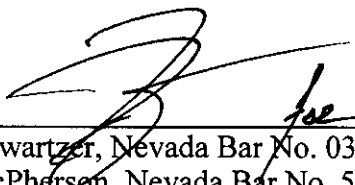
24 a. USA Investment Partners, LLC and several others, filed an appeal from the
25 Confirmation Order, ultimately designated as District Court No. 07-00138. Pursuant
26 to USA Securities' motion to dismiss, this appeal has been dismissed with prejudice
27 by the District Court, and the District Court's Order is now final.

28 b. Debt Acquisition Company of America V, LLC ("DACA"), also filed an

1 appeal from the Confirmation Order, ultimately designated as District Court No. 07-
 2 00160. USA Securities filed two motions to dismiss this appeal, and fully briefed
 3 the appeal. Just prior to oral argument before the District Court, DACA and USA
 4 Securities entered into a stipulation to dismiss USA Securities from the appeal. The
 5 District Court approved this stipulation by Order dated July 12, 2007. Thus, USA
 6 Securities is no longer a party to this appeal.

7 c. Finally, the so-called "Lenders Protection Group" and the Jones Varges
 8 Direct Lenders, filed an appeal from the Confirmation Order, ultimately designated
 9 as District Court No. 07-00072. USA Securities, along with the other Debtors,
 10 successfully obtained an Order of the District Court vacating a stay pending appeal
 11 that had been entered by the Bankruptcy Appellate Panel, it filed two motions to
 12 dismiss the appeal, and fully briefed the appeal. Just prior to oral argument before
 13 the District Court, the Appellants and USA Securities entered into a stipulation to
 14 dismiss USA Securities from the appeal, and on July 11, 2007, the District Court
 15 entered an Order approving that stipulation. Thus, USA Securities is no longer a
 16 party to this appeal.

17 Respectfully submitted this 16th day of July, 2007.

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